Teachers' Retirement System
of the State of Illinois

Bill Analysis

House Bill 3682
Superintendent Salary Limits

Sponsor: Kosel, Renee

Summary: The legislation provides for the school district to pay for the actuarial cost of the annuity that results from an increase in a superintendent's salary over 7%. A superintendent can choose to have the portion of the salary increase over 7% excluded from the calculation used to determine the annuity. The legislation also requires school districts to pay the actuarial value of the benefits resulting from the portion of a salary that is in excess of the Governor's salary. The legislation will apply to all contracts entered into, amended, or extended after January 1, 2005.

Background: The legislation is designed to address significant salary and pay increases received by school superintendents near the end of their career. While member contributions and the accumulated investment earnings pay for 70% of a retiree's benefit, the remaining balance is provided through state contributions.

Detail: The legislation will require TRS to calculate the actuarial cost of a superintendent salary increase that is over 7%. The Superintendent can choose to have this amount excluded from the calculation of his or her retirement benefit. TRS will calculate the cost of the benefit that is attributable to a salary increase over 7% after the retirement of that individual. The cost of the benefit will then be billed to the school district for payment. This provision applies to all Superintendents. The legislation also requires that once a Superintendent's salary exceeds that of the Governor's, the actuarial cost of the portion of the salary over that of the Governor's salary will be paid by the school district. This calculation will also occur after retirement.

The provisions of the bill will apply to all contracts entered into, amended, or extended after January 1, 2005.

Concerns: There are several technical corrections that must be addressed in the legislation.

1. The legislation is not consistent in its reference to the timeframe of when these events occur. All references should be to the school year in which these thresholds are attained.

2. The legislation does not address the possibility of superintendents also receiving compensation from other positions that they are employed in with the school district. For instance, a superintendent might have an additional job title such as a grant writer or transportation director from which he is also compensated by the school district. This compensation is then used to calculate the annuity at the time of retirement.

3. The legislation does not specify how TRS will calculate or when these calculations must occur after these thresholds are attained.

4. The legislation is not clear as to the timeframe of when a superintendent must elect to have these salary increases over 7% excluded from their calculation of a benefit.